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Towards geopolitical analysis of geoeconomic processes

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Abstract: In his paper, Antto Vihma seeks to develop a geoeconomic approach that draws from Edward N Luttwak's conception of inter-state competition, and suggests that a more nuanced reading of Luttwak provides a way forward. In this essay, I first tease out and discuss Vihma's arguments, before calling for the need to develop geopolitical analysis of contemporary geoeconomic processes. This kind of geopolitical analysis focuses on the political imaginaries that frame the world in terms of economic expansion, new kinds of inter-spatial competition, connectivity and pace or global integration and connectivity. These imaginaries have become increasingly salient in state-centric political debates on national interests, national security, and national identity.

Introduction

Antto Vihma seeks to renew a strategic geoeconomic approach in IR and foreign policy analysis.

1 He refers in particular to the tenets of the geoeconomics approach developed by American neoconservative scholar, consultant, and columnist Edward N Luttwak in his 1990 article *From Geopolitics to Geoeconomics: Logic of Conflict, Grammar of Commerce*.² Vihma suggests that a more nuanced reading of Luttwak provides a way forward. In this essay, I first tease out and discuss

his arguments, before calling for the need to develop geopolitical analysis of contemporary geoeconomic processes.

Reflecting the argument

Vihma tailors a set of claims which can be summarized as follows:

1. Geoeconomics has become one of the key concepts in policy analysis since 1990s as commerce and trade are increasingly associated with and analyzed as national security and foreign policy issues. Geopolitics will be pursued through economic means in the 21st century, indicating that geoeconomic means have become an increasingly important part of states' foreign policy arsenal.
2. Geoeconomics is a rising framework for policy analysis, and this is demonstrated in particular in the growing number of policy-oriented books and in the notable interest of think tanks in geoeconomics.
3. Irrespective of the rise of geoeconomics in policy-circles and in policy analysis, representatives of the academic disciplines of IR and Human Geography have been hesitant to take geoeconomics seriously as a framework for analysis. Rather geoeconomics à la Luttwak and others has been neglected and examined from overly critical and constructivist perspectives, by scholars of critical geopolitics in particular. These analyses are based on sweeping generalizations, biased readings and "over-extensive interpretations of Luttwak" as a political realist or a neoliberal thinker.
4. Theories of geoeconomics can be furthered through a nuanced reading of Luttwak and others who represent geoeconomic strategic thinking. An updated version of Luttwak's theory can engender important scholarly perspectives. Therefore his ideas concerned with

the rising importance of economic means and the gradually declining role of military power can be utilized both in conceptualizing geoeconomics as geostrategic use of economic power and in developing geoeconomic hypotheses which can be tested empirically.

Let us discuss these arguments briefly.

The policy relevance of Luttwakian geoeconomics

If anything, points one and two disclose an interesting feature of the development in the policy world and policy-oriented analysis during the past three decades or so: the increasing understanding that economic rivalries are replacing, albeit not entirely superseding, territorial enmities in the most developed parts of the world.³ This kind of movement in interpretation and analysis from the Hobbesian to Lockean culture of anarchy, to paraphrase the work of Wendt⁴, and the associated rise of the competition state⁵ or corporate polity⁶ and a related Porterian-Floridian geopolitical rationality⁷, is in itself an important geopolitical issue which merits more scholarly attention.

Different kinds of actors and organizations – think tanks, research centers, management guru scholars, and the like – have from the 1990s onwards produced arguments and knowledge on the ways in which increasingly economic geopolitical conditions have taken shape and how the forms and modalities of inter-state competition have changed after the end of the Cold War. If anything, this context has highlighted the idea of territorial competitiveness, and it has been widely discussed in the context of cities, regions, states and even supranational polities such as the EU.

Researchers working in different policy research institutes and think tanks across the globe constantly seek to find and tailor compact, empirically verifiable and politically understandable frameworks for analysis (or “theories”) which would make sense of the ways in which world politics works. These frameworks are needed also in order to meet the demands of politicians and the general public. The “policy-relevance” of theories is constituted as some frameworks for analysis gain legitimacy in public discourse and through the media and in particular if events in world politics lend support to particular theories. I read Vihma’s essay as an attempt to find a framework for analysis which would explain the use of economic means in foreign policy.

From the perspective of critical geopolitics, geoeconomics á la Luttwak is, however, a historically contingent phenomenon, and its emergence must be located in its own historical milieu. It is by no means a coincidence that the early 1990s witnessed the rise of arguments that, in one way or another, resemble with Luttwak’s arguments.⁸ Consider, for instance, contributions such as Michael Porter’s *The Competitive Advantage of Nations* or Kenichi Ohmae’s *The End of the Nation State*. These books, albeit through different logics, highlight that the nature and meaning of territorial competition is changing, and that politicians and policy-makers should take this fundamental shift into account when tailoring policies.

Luttwak was indeed one of the first authors in policy literature who disclosed the deep anxiety related to the emerging global knowledge-based economy (often dubbed as the post-Fordist regime of accumulation) and its relational spatiality which seemed to harmfully unravel the spatial basis and purported national cohesion of the territorial state from the late 1980s onwards. His notion that “the methods of commerce are displacing military methods – with disposable capital in lieu of firepower, civilian innovation in lieu of military-technical advancement, and market penetration in lieu of garrisons and bases”⁹ can therefore be comprehended as a “national” cry of distress in a

context when national Fordist-Keynesian modes of capital accumulation and related systems of political regulation were giving way to increasingly transnational post-Fordist modes of accumulation. An issue of this latter mode of accumulation is the potentially decreasing loyalty of enterprises and different kinds of elites to their country of origin. Particularly harmful are those “economic interest groups” which seek to instrumentalize the state and “manipulate its activities on the international scene for their own purposes.”¹⁰

One may consider Luttwak’s paper in 1990 as a theoretical foundation for the 1993 book *The Endangered American Dream*. It is a provocative book written for use in domestic politics. In this book Luttwak warns that policies need to be changed to ensure that the US wins what he conceives of as a “geo-economic struggle for industrial supremacy”, thus preventing the US from becoming “a third world country.”¹¹ As Gerard Toal has succinctly argued, Luttwak’s work in the early 1990s signals how various intellectuals at this historical conjuncture sought to reterritorialize global space with a threat to the security of an economically enfeebled and culturally divided United States. The book was thus an attempt to “revitalize the society of security”. Luttwak’s work highlighted the need for domestic cultural and economic renewal, and it followed the “lines and triangulations of past Cold War calibrations of danger” which, in turn, followed the old script lines of a Cold War strategic culture.¹²

Indeed, Luttwak’s work in the early 1990s seems to be surprisingly topical at the contemporary conjuncture. There is some irony that Luttwak’s emphasis on feelings of hostility between nations as a permanent feature of international politics, his critique of the “free trade ideology” of the American opinion leaders and policy makers, his critique of American companies reinvesting their profits in building manufacturing plants beyond the borders of the US, his emphasis on economic nationalism, his understanding that states seek constantly outdo each other on the world scene, his

formulation of the commercial logic of conflict and the emphasis on the U.S.'s "weakness," and his highlighting a form of mercantilist geopolitical rationality (which Luttwak denies in his 1990 paper) interestingly resonate with some of the themes that were at the core of the presidential campaign of Donald J Trump. Indeed, the recent *Time* magazine reports the following words by Trump in the context of his bid to re-construct "American infrastructure": "You come in from Dubai and Qatar and you see these incredible – you come from China and, you see these incredible airports," he says, "we've become a third-world country."¹³

It may be an accident that Trump's words are almost exactly the same as those Luttwak used in the beginning of his *Endangered American Dream*, but a particular Luttwakian style of thought may well be built in Trump's geopolitical rationality and the ways in which he defines the national interests of the U.S.

The conceptual basis of Luttwakian geoeconomics

In order to discuss points three and four, one needs to briefly examine the nature of the geoeconomics Vihma seeks to develop. This is not an easy task given that he mentions only a few issues in the paper which could be considered as a foundation for his Luttwakian geoeconomics. Three issues can be teased out, however. Firstly, by echoing the basic vocabulary of Waltzian neorealism, Vihma stresses how in the contemporary world states do not struggle for survival but compete in relative terms in hierarchy. Accordingly, major powers rely on alliances for their security, which obviously makes alliance-building and maintenance key issues in Luttwakian geoeconomics.

Secondly, in Vihma's view, countries project power in order to make sense of their role in the world affairs or in their neighbourhood. He mentions price cuts for energy products, or unprofitable investments, loans, side payments, and asset swaps, which obviously refer to the means or "weapons of commerce"¹⁴, as Luttwak himself would have it¹⁵, through which economic power of the state can be projected towards another state or group of states in order to "divide the target and to produce classical command-obedience relationship."¹⁶

Thirdly, Vihma argues that this power projection is structured by an interplay between domestic and international politics, thus making geoeconomics – as a set of policies through which power is projected – a contextual phenomenon. He mentions how the systemic, international level affects the domestic political sphere in a contextual way, thus echoing the logic of two-level games famously developed by Robert Putnam and others in the late 1980s.¹⁷

It is surprising that Vihma does not explicate the concept of the state in his essay. This is regrettable given that the conceptualization of the state is a crucial backbone of Luttwak's 1990 article, and one may logically expect that the idea of Luttwakian geopolitics would draw from Luttwak's conceptualization of the state. For Luttwak, the state is characterized by strong self-interest, and the logic of state action is often in part the logic of conflict. States are marked by "conflictual priorities, the need to prepare for, or to wage, inter-state conflict" and they constantly seek to "outdo each other on the world scene."¹⁸ States are spatially rather than functionally defined actors who do not ignore their own borders and do not follow commercial logic. They seek to maximize outcomes within their borders, even if this means "that the outcomes are suboptimal elsewhere". States design infrastructures in order to build "domestically optimal and appropriately competitive configurations", regardless how other states are affected. And they promote technologies and innovations in order to "maximize benefits within their own boundaries."¹⁹

It is sufficient to notice that Luttwak's definition of the state resonates with a form of political realism and is clearly predicated on "territorial trap"²⁰, a concept that John Agnew famously coined in order to highlight the problematic spatial understanding inherent in the variants of political realism. Beyond this, it is hard to see what the stronger engagement with Luttwak's geoeconomic thinking would entail in theoretical and conceptual terms. The use-value of Vihma's conceptualization of geoeconomics vis-à-vis different fields of IR, let alone debates in Human Geography, remains unspecified.

Given what has been said above, it seems obvious that the purposeful critique of critical geopolitics' false reading of Luttwak in particular and geoeconomics in general by a handful of "constructivists" does not help much in a serious endeavor to develop theoretically sophisticated and empirically rich geoeconomics. I am afraid, therefore, that Vihma is barking up a wrong tree in his essay. The epistemological and ontological premises of the kind of state centric quasi-neorealism which is outlined in Vihma's essay are so fundamentally different compared with the founding premises of critical geopolitics²¹ that it is hard to see a common ground for a fruitful dialogue between these approaches. Indeed, should Luttwakian geoeconomics be developed further, a logical place to start doing this is within the field of International Political Economy. IPE is characterized by a long history of testing hypotheses concerned with two-level games, coalition building, economic nationalism, and economic policy-making and policy formation – issues that play a role in Vihma's geoeconomics.

Towards geopolitics of geoeconomical processes: but without Luttwak

I conclude this response by suggesting that critical geopolitics should inquire much more enthusiastically into the economic geographical processes integral of the contemporary geopolitical condition. This stems from the fact that geopolitics is still often understood to denote drawing state borders, building nations as definite territories, constructing domestic social order through spatial techniques of coercion and consent, controlling territorial spaces through new military technologies within and beyond a given state, as well as geographical and historical justifications of territorial claims. The concept of geopolitics is therefore often too narrowly associated with the “inter-state” and with the idea of the purportedly territorially consolidated twentieth-century European state. As a persistent form of reasoning, the classical geopolitical perspective discloses some of the key political characteristics of the “industrial era” of the nineteenth and twentieth century: command of territory and natural resources were understood as pivotal dimensions of interstate rivalry and as fundamental constituents of power, status and success of a given state.

It has been rare to discuss the concept of the geopolitical in the context of those political imaginaries that frame the world in terms of economic expansion, new kinds of inter-spatial competition, connectivity and pace or global integration and connectivity.²² And yet, these imaginaries have also become increasingly salient in state-centric political debates on national interests, national security, and national identity. I believe that the rise of these imaginaries has to do with the rise of so-called knowledge-intensive capitalism since the 1990s. In such a capitalism, the world is increasingly becoming a network consisting of hubs, city-regions and wider “network-regions” in which surplus value is formed and which are pivotal in controlling the movement of money, information, talent and innovative human behavior.²³ The geopolitical imaginaries of the knowledge-based economy, therefore, effectively reveals the geopolitics of relational spaces that partly, but not entirely, characterizes the early twenty-first century.

In public policy and academic discourse, the nodes and hubs of the global networks through which “global flows” are being actively re-territorialized have been, particularly since the 1990s, understood as urban spaces, and related micro spaces such as spectacular architectural forms, innovation centres and ecosystems, learning regions, special economic zones, new spaces of higher education, technopoles, etc. which together contribute to the building of “creative cities” or “global cities” and the like. The development of these new spaces of geopolitics are often understood as significantly contributing to capital accumulation in the future. This form of the geopolitical is predicated by the notion of the territorial competitiveness, which in turn increasingly refers to generating competitive advantages (of nations) through different kinds of spatial hubs and exceptions as well as through new kinds of transnational citizen subjectivities.

The contemporary geopolitical condition can thus be understood as being structured partly around “hub and flow imaginaries” and related discourses of territorial competition and competitiveness. It would therefore be problematic to comprehend the contemporary processes associated with hubs and flows and the set of other “relational spaces” as signaling some sort of post-geopolitical geoeconomic condition. Rather, these imaginaries reveal the ways in which the state seeks to re-territorialize and nationalize relational spaces of contemporary capitalism, and at the same time de-territorialize and internationalize itself through increasingly spatially selective strategies in order to be connected to all sorts of “global networks” of money, talent, innovations and ideas. A geopolitical analysis of this back and forth movement between de- and re-territorialization may provide insights on how the territorial and the relational come together in the contemporary world politics and how states are spatially transformed within such a process.

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⁷ Moio and Paasi (note 5)

⁸ Luttwak (note 1); E. Luttwak, The Endangered American Dream (New York: Simon & Schuster 1994).

⁹ Luttwak (note 1) p. 17.

¹⁰ Ibid. p. 19.

¹¹ Luttwak (note 8).

¹² G. Ó Tuathail, Critical Geopolitics (London: Routledge 1996) p. 231.

¹³ D. von Drehle, 'What it will take to rebuild America', Time 189 (2017/13) p. 25.

¹⁴ Luttwak 1990, p. 21.

¹⁵ Luttwak's list of weapons of commerce is different. It includes "the more or less disguised restriction of imports, the more or less concealed subsidization of exports, the funding of competitive technology projects, the support of selected forms of education, the provision of competitive infrastructures, and more". (note 1) p. 21.

¹⁶ Vihma (note 1) p.

¹⁷ See R.D. Putnam, 'Diplomacy and Domestic Politics: The Logic of Two-Level Games', International Organization 42 (1988) pp. 427–460.

¹⁸ Luttwak 1990, p. 19.

¹⁹ Ibid. p. 18.

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